

LPP S.A. Group
Interim condensed financial statements for the fourth quarter of 2011
The statements have been prepared in PLN thousand

LPP S.A. Group

Interim condensed financial statements for the fourth quarter of 2011

Gdańsk
February 2012

1. Selected Consolidated Financial Data of LPP S.A. Capital Group

in PLN
thousand

Selected Consolidated Financial Data	Q4 2011	Q4 2010	Q4 2011	Q4 2010
	01/01/2011- 01/01/2010- 31/12/2011 31/12/2010		01/01/2011- 01/01/2010- 31/12/2011 31/12/2010	
	in PLN thousand		in EUR '000	
Net revenues from sales of products, goods and materials	2 492 510	2 079 358	616 759	519 489
Operating profit (loss)	342 022	200 687	84 632	50 138
Gross profit (loss)	329 925	182 489	81 638	45 591
Net profit (loss)	268 246	139 083	66 376	34 747
Net cash flows from operating activities	254 081	197 462	62 871	49 332
Net cash flows from investing activities	-36 488	-130 556	-9 029	-32 617
Net cash flows from financing activities	-197 097	-167 917	-48 771	-41 951
Total net cash flows	20 496	-101 011	5 072	-25 236

Selected Consolidated Financial Data	Q4 2011	Q4 2010	Q4 2011	Q4 2010
	01/01/2011- 01/01/2010- 31/12/2011 31/12/2010		01/01/2011 01/01/2010 31/12/2011 31/12/2010	
	in PLN thousand		in EUR thousand	
Total assets	1 609 435	1 429 020	364 852	358 420
Long-term liabilities	114 353	281 231	25 923	70 537
Short-term liabilities	589 883	411 243	133 724	103 146
Equity capital	905 199	736 546	205 205	184 737
Share capital	3 555	3 501	806	878
Weighted average number of ordinary shares	1 746 800	1 728 879	1 746 800	1 728 879
Profit (loss) per ordinary share (in PLN / EUR)	153.3	80.4	39.9	20.0
Book value per share (in PLN / EUR)	518.2	426.0	131.7	104.3
Declared or paid dividend per share (in PLN / EUR)	76.86	50.00	19.02	12.49

2. Consolidated Balance Sheet of LPP S.A. Capital Group

	in PLN thousand	
	as at the end of:	
Balance Sheet	Q4 2011	Q4 2010
	31/12/2011	31/12/2010
Fixed assets (long-term)	741 779	712 574
1. Tangible fixed assets	447 725	422 456
2. Intangible assets	11 515	11 040
3. Goodwill	183 609	183 609
4. Trademark	77 508	77 508
5. Shares in subsidiaries	187	212
6. Investments in associates	19	19
7. Investments in real estate	678	0
8. Receivables and loans	1 374	1 062
9. Deferred tax assets	18 685	16 491
10. Accruals and prepayments	479	177
Current assets (short term)	867 656	716 446
1. Inventories	594 493	424 437
2. Trade receivables	113 166	95 742
3. Receivables from income tax	1 936	542
4. Other receivables	31 387	22 962
5. Loans	167	237
6. Other securities	0	16 430
7. Other financial assets	0	53 064
8. Accruals and prepayments	9 541	6 562
9. Cash and cash equivalents	116 966	96 470
TOTAL assets	1 609 435	1 429 020

LIABILITIES		
Equity capital	905 199	736 546
1. Share capital	3 555	3 501
2. Treasury shares	-48 759	-48 754
3. Share premium	149 829	108 123
4. Other capital	562 495	547 559
5. Foreign exchange differences on translation	-4 538	-650
6. Retained earnings	243 077	126 767
- profit (loss) from previous years	-24 748	-12 316
- net profit (loss) for the current period	267 825	139 083
Equity capital attributable to the shareholders of the parent company	905 659	736 546
Minority capital	-460	0
Long-term liabilities	114 353	281 231
1. Bank loans and borrowings	111 446	156 096
2. Issue of debt securities		121 524
3. Other financial liabilities	31	88
4. Provisions for employee benefits	1 135	1 025
5. Deferred income tax provision	1 682	2 464
6. Other long-term liabilities	59	34
Short-term liabilities	589 883	411 243
1. Trade payables and other liabilities	377 245	312 700
2. Income tax liabilities	12 002	771
3. Bank loans and borrowings	92 748	86 637
4. Issue of debt securities	86 243	3 906
5. Other financial liabilities	54	96
6. Provisions	14 674	3 122
7. Special funds	297	347
8. Accruals and prepayments	6 620	3 664
TOTAL liabilities	1 609 435	1 429 020

3. Uniform consolidated comprehensive income statement of LPP S.A. Capital Group

Comprehensive Income Statement	in PLN thousand.			
	cumulative	Q4 2011	cumulative	Q4 2010
		current year	previous year	
	01/01/2011- 31/12/2011	01/10/2011- 31/12/2011	01/01/2010- 31/12/2010	01/10/2010- 31/12/2010
Continued operation				
Sales revenues	2 492 510	789 276	2 079 358	629 840
Cost of sales	1 068 764	313 982	946 144	258 958
Gross profit/loss on sales	1 423 746	475 294	1 133 214	370 882
Other operating revenues	20 973	8 357	22 646	3 608
Selling costs	932 947	250 452	835 587	229 079
Overheads	138 386	60 842	91 114	23 451
Other operating expenses	31 364	6 044	28 472	6 308
Operating profit/loss	342 022	166 313	200 687	115 652
Financial revenues	13 527	250	10 690	5 047
Financial expenses	25 624	11 018	28 888	7 726
Gross profit/loss	329 925	155 545	182 489	112 973
Tax burden	61 679	26 732	43 406	23 665
Net profit/loss	268 246	128 813	139 083	89 308
Net profit (loss), of which:				
parent company shareholders	267 825	128 396	139 083	89 308
non-controlling entities	421	417		
Other comprehensive income				
Foreign exchange differences on translation	-3 888	4 069	-1 159	689
Total comprehensive income	264 358	132 882	137 924	89 997

LPP S.A. Group
Interim condensed financial statements for the fourth quarter of 2011
The statements have been prepared in PLN thousand

4. Consolidated Statement of Changes in Equity of LPP SA Capital Group

Statement of Changes in Equity	Share capital	Own shares	Share premium	Other capital	Profit (loss) from previous years	Current period profit/loss	Foreign exchange differences on translation	in PLN thousand	
								Minority capital	TOTAL equity capital
As at 1 January 2010	3 501	-48 749	108 123	512 189	110 016	0	509		685 589
- adjustments due to errors in previous years					-518				-518
As at 1 January 2010 after adjustments	3 501	-48 749	108 123	512 189	109 498	0	509		685 071
Costs of treasury shares purchase		-5							-5
Distribution of profit for the year 2009				35 370	-121 814				-86 444
Transactions with owners	0	-5	0	35 370	-121 814	0	0		-86 449
Net income for IV quarters of 2010						139 083			139 083
Calculation of foreign exchange differences on							-1 159		-1 159
As at 31 December 2010	3 501	-48 754	108 123	547 559	-12 316	139 083	-650	0	736 546
As at 1 January 2011	3 501	-48 754	108 123	547 559	126 767	0	-650	0	736 546
- adjustments due to errors in previous years					-2 651				-2 651
As at 1 January 2011 after adjustments	3 501	-48 754	108 123	547 559	124 116	0	-650	0	733 895
Costs of treasury shares purchase		-5							-5
Conversion of bonds into shares	54		41 706						41 760
Distribution of profit for the year 2010				13 874	-148 864				-134 990
Share-based remuneration payment				1 062					1 062
Transactions with owners	54	-5	41 706	14 936	-148 864	0	0		-92 173
Net income for IV quarters of 2011						267 825			267 825
Establishment of a minority shareholding as at the								-460	-460
Calculation of foreign exchange differences on							-3 888		-3 888
As at 31 December 2011	3 555	-48 759	149 829	562 495	-24 748	267 825	-4 538	-460	905 199

5. Consolidated Statement of Cash Flows of Capital Group

LPP S.A.

in PLN thousand

Statement of Cash Flows	cumulative Q4 2011		cumulative Q4 2010	
	01/01/2011- 31/12/2011	01/10/2011- 31/12/2011	01/01/2010- 31/12/2010	01/10/2010- 31/12/2010
A. Cash flow from operating activities - indirect method				
I. Gross profit (loss)	329 925	155 545	182 489	112 973
II. Total adjustments	-75 844	77 815	14 973	41 486
1. Depreciation	95 439	25 126	94 424	24 031
2. (Profit) loss on foreign exchange differences	-1 261	493	-760	541
3. Interest and participation in profits (dividends)	23 272	6 094	24 272	9 140
4. Profit (loss) from investing activities	-23 826	-21 361	-8 589	-6 636
5. Paid income taxes	-52 713	-15 873	-52 567	-12 934
6. Change in provisions	12 829	6 484	246	94
7. Change in inventories	-159 076	-39 542	-102 995	-3 764
8. Change in receivables	-16 013	7 396	-27 951	3 076
9. Change in short-term liabilities, excluding loans and borrowings	53 016	113 044	88 361	28 243
10. Change in accruals	-1 523	1 776	2 249	2 625
11. Other adjustments	-5 988	-5 822	-1 717	-2 930
III. Net cash flows from operating activities	254 081	233 360	197 462	154 459
B. Cash flows from investing activities				
I. Revenues	94 838	18 159	61 817	42 301
1. Disposal of intangible and tangible fixed assets	20 779	7 144	34 269	16 619
2. From financial assets, including:	18 961	1 553	2 548	682
a) in affiliated entities	815	172	1 113	564
- disposal of shares/liquidation of companies	643	0	564	564
- dividends and profit sharing	172	172	549	0
b) in other entities	18 146	1 381	1 435	118
- sale of financial assets/liquidation of foreign assets	17 300	1 300		
- repayment of loans	186	49	533	112
- interest	660	32	902	6
3. Other investment inflows/sale of investment funds	55 098	9 462	25 000	25 000

II. Expenses	131 326	58 696	192 373	41 260
1. Acquisition of intangible and tangible fixed assets	129 346	56 800	100 665	35 702
2. For financial assets, including:	1 559	1 475	698	548
a) in affiliated entities	0	0	498	498
- acquisition of shares			498	50
- short-term loans granted				
- granted long-term loans b) in other entities	1 559	1 475	200	50
- acquisition of financial assets	1 300	1 300		
- loans granted	259	175	200	50
3. Other capital expenses	421	421	91 010	5 010
III. Net cash flows from investing activities	-36 488	-40 537	-130 556	1 041
C. Cash flows from financing activities				
I. Revenues	5 717	3 000	15 079	7 350
1. Proceeds from share issue	3 000	3 000		
2. Loans and borrowings	2 717	0	15 079	7 350
3. Other financial income				
II. Expenses	202 814	127 597	182 996	121 080
1. Treasury shares purchase	5	2	5	2
2. Dividends to holders	138 416	3 424	86 444	86 444
3. Repayment of loans and borrowings	45 631	121 150	74 748	31 170
4. Payment of finance lease liabilities	128	-14	329	78
5. Interest	18 634	3 035	21 470	3 386
III. Net cash flows from financing activities	-197 097	-124 597	-167 917	-113 730
D. Total net cash flows	20 496	68 226	-101 011	41 770
E. Net change in cash, including:	20 496	68 226	-101 011	41 770
- change in cash from foreign exchange differences	2 691	687	528	-3 053
F. Opening cash balance	96 470	48 740	197 482	54 701
G. Cash at the end of the period, including:	116 966	116 966	96 471	96 471
- restricted cash	297	297	495	495

6. Selected Financial Data - Individual Financial Statement of LPP S.A.

Selected Financial Data	in PLN thousand			
	Q4 2011	Q4 2011	Q4 2011	Q4 2011
	01/01/2011-	01/01/2011-	01/01/2011	01/01/2010
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	in PLN thousand		in EUR thousand	
Net revenues from sales of products, goods and materials	2 170 410	1 841 665	524 241	459 910
Operating profit (loss)	278 060	174 285	67 163	43 523
Gross profit (loss)	287 317	178 920	69 399	44 681
Net profit (loss)	234 101	148 872	56 545	37 177
Net cash flows from financing activities	179 068	161 959	43 252	40 445
Net cash flows from investing activities	19 566	-94 177	4 726	-23 518
Net cash flows from financing activities	-196 527	-162 736	-47 469	-40 639
Total net cash flows	2 107	-94 954	509	-23 712
	Q4 2011	Q4 2010	Q4 2011	Q4 2010
Selected Financial Data	01/01/2011-	01/01/2010-	01/01/2011-	01/01/2010-
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	in PLN thousand		in EUR thousand	
Total assets	1 575 373	1 423 996	356 677	359 568
Long-term liabilities	114 197	280 876	25 855	70 923
Short-term liabilities	564 304	388 176	127 763	98 017
Equity capital	896 872	754 944	203 059	190 628
Share capital	3 555	3 500	805	884
Weighted average number of ordinary shares	1 746 800	1 728 879	1 746 800	1 728 879
Profit (loss) per ordinary share (in PLN / EUR)	134.0	86.1	32.4	21.5
Book value per share (in PLN / EUR)	513.4	436.7	116.2	110.3
Declared or paid dividend per share (in PLN / EUR)	76.86	50.00	18.56	12.49

7. Balance sheet of LPP S.A.

	in PLN thousand	
	as at the end of:	
Balance Sheet	Q4 2011	Q4 2011
	31/12/2011	31/12/2010
ASSETS		
Fixed assets (long-term)	664 718	650 517
1. Tangible fixed assets	333 418	318 339
2. Intangible assets	8 832	10 781
3. Goodwill	179 618	179 618
4. Trademark	77 508	77 508
5. Shares in subsidiaries	22 812	30 884
6. Investments in associates	19	19
7. Investments in real estate	678	0
8. Receivables and loans	5 194	537
9. Deferred tax assets	36 349	32 654
10. Accruals and prepayments	290	177
Current assets (short term)	910 655	773 479
1. Inventories	474 968	359 595
2. Trade receivables	343 072	258 902
4. Other receivables	12 265	10 371
4. Loans	5 096	4 426
5. Other securities	0	16 430
6. Other financial assets	0	53 064
7. Accruals and prepayments	6 109	3 653
8. Cash and cash equivalents	69 145	67 038
TOTAL assets	1 575 373	1 423 996

LIABILITIES		
Equity capital	896 872	754 944
1. Share capital	3 555	3 500
2. Treasury shares	-48 759	-48 754
3. Share premium	149 829	108 123
4. Other capital	561 836	546 901
5. Retained earnings	230 411	145 174
- profit (loss) from previous years	-3 690	-3 698
- net profit (loss) for the current period	234 101	148 872
Long-term liabilities	114 197	280 876
1. Bank loans and borrowings	111 418	155 711
2. Issue of debt securities	0	121 524
3. Provisions for employee benefits	1 101	1 005
4. Provision for deferred tax	1 678	2 636
Short-term liabilities	564 304	388 176
1. Trade payables and other liabilities	359 146	293 322
2. Income tax liabilities	11 002	192
3. Bank loans and borrowings	92 273	86 637
4. Issue of debt securities	86 244	3 906
5. Other financial liabilities	0	50
6. Provisions	10 698	1 310
7. Special funds	296	348
8. Accruals and prepayments	4 645	2 411
TOTAL liabilities	1 575 373	1 423 996

8. Uniform Comprehensive Income Statement of LPP S.A.

Comprehensive Income Statement	in PLN thousand.			
	cumulative	Q4 2011	cumulative	Q4 2010
	current year		previous year	
	01/01/2011- 31/12/2011	01/10/2011- 31/12/2011	01/01/2010- 31/12/2010	01/10/2010- 31/12/2010
Sales revenues	2 170 410	670 128	1 841 665	531 463
Cost of sales	1 090 143	311 092	946 694	243 112
Gross profit/loss on sales	1 080 267	359 036	894 971	288 351
Other operating revenues	57 644	21 110	35 278	11 900
Selling costs	694 344	201 549	607 199	167 720
Overheads	108 800	40 869	67 035	17 471
Other operating expenses	56 707	13 481	81 730	24 120
Operating profit/loss	278 060	124 247	174 285	90 940
Financial revenues	52 834	24 324	54 627	27 781
Financial expenses	43 577	6 526	49 992	15 966
Gross profit/loss	287 317	142 045	178 920	102 755
Tax burden	53 216	23 469	30 048	16 468
Net profit/loss	234 101	118 576	148 872	86 287
Total comprehensive income	234 101	118 576	148 872	86 287

LPP S.A. Group
Interim condensed financial statements for the fourth quarter of 2011
The statements have been prepared in PLN thousand

9. Statement of Changes in Equity of LPP S.A.

Statement of Changes in Equity	in PLN thousand						
	Share capital	Own shares	Share premium	Other capital	Profit (loss) from previous years	Current period profit/loss	TOTAL equity capital
As at 1 January 2010	3 500	-48 749	108 123	511 531	118 116		692 521
- adjustments due to errors in previous years							0
As at 1 January 2010 after adjustments	3 500	-48 749	108 123	511 531	118 116	0	692 521
Costs of treasury shares purchase		-5					-5
Distribution of profit for the year 2009				35 370	-121 814		-86 444
Transactions with owners	0	-5	0	35 370	-121 814	0	-86 449
Net profit for the year 2010						148 872	148 872
As at 31 December 2010	3 500	-48 754	108 123	546 901	-3 698	148 872	754 944
As at 1 January 2011	3 500	-48 754	108 123	546 901	145 174		754 944
- adjustments due to errors in previous years							0
As at 1 January 2011 after adjustments	3 500	-48 754	108 123	546 901	145 174	0	754 944
Conversion of bonds into shares	55		41 706				41 761
Costs of buy-back of treasury shares		-5					-5
Net profit distribution for the year 2010				13 873	-148 864		-134 991
Share-based remuneration payment				1 062			1 062
Transactions with owners	55	-5	41 706	14 935	-148 864	0	-92 173
Net profit for the year 2011						234 101	234 101
As at 31 December 2011	3 555	-48 759	149 829	561 836	-3 690	234 101	896 872

10. Statement of Cash Flows of LPP SA

	in PLN thousand			
	cumulative	Q4 2011	cumulative	Q4 2010
Statement of Cash Flows	01/01/2011- 31/12/2011	01/10/2011- 31/12/2011	01/01/2010- 31/12/2010	01/10/2010- 31/12/2010
A. Cash flow from operating activities - indirect method				
I. Gross profit (loss)	287 317	142 542	178 919	102 755
II. Total adjustments	-108 249	40 300	-16 960	49 849
1. Depreciation	61 638	15 731	60 329	15 518
2. (Profit) loss on foreign exchange differences	1 726	2 745	-631	-266
3. Interest and participation in profits (dividends)	22 054	5 841	22 972	8 879
4. Profit (loss) from investing activities	-14 834	-26 012	-26 909	-18 315
5. Paid income taxes	-46 483	-15 431	-51 763	-12 486
6. Change in provisions	10 548	6 455	-73	-582
7. Change in inventories	-115 361	-37 637	-94 154	-16 889
8. Change in receivables	-86 713	-8 238	-16 225	49 816
9. Change in short-term liabilities, excluding loans and borrowings	59 511	94 788	88 996	22 080
10. Change in accruals	-335	2 058	498	2 094
11. Other adjustments	0	0	0	0
III. Net cash flows from operating activities	179 068	182 842	161 959	152 604
B. Cash flows from investing activities				
I. Revenues	115 318	40 133	78 196	44,259
1. Disposal of intangible and tangible fixed assets	18 072	6 867	28 253	10,660
2. From financial assets, including:	42 148	23 803	24 943	8 610
a) in affiliated entities	24 002	22 424	23 508	8 492
- interest and dividends	19 512	18 577	1 820	215
- disposal of shares/liquidation of companies	643		589	589
- repayment of loans	3 847	3 847	21 099	7 688
b) in other entities	18 146	1 379	1 435	118
- interest	660	31	902	6
- disposal of financial assets – foreign bonds	17 300	1 300		
- repayment of loans	186	48	533	112
3. Other investment inflows - sale of investment funds	55 098	9 463	25 000	24 989

II. Expenses	95 752	51 089	172 373	41 106
1. Acquisition of intangible and tangible fixed assets	83 988	39 566	70 941	27 671
2. For financial assets, including:	11 764	11 523	26 422	8 425
a) in affiliated entities	10 340	10 134	10 222	8 375
- acquisition of shares	9	0	8 375	8 375
- short-term loans granted	5 241	5 240	0	
- long-term loans granted	5 090	4 894	1 847	0
b) in other entities	1 424	1 389	16 200	50
- purchase of financial assets – foreign bonds	1 300	1 300	16 000	0
- short-term loans granted	49	14	71	26
- long-term loans granted	75	75	129	24
3. Other capital expenditure - purchase of investment fund units	0	0	75 010	5 010
III. Net cash flows from investing activities	19 566	-10 956	-94 177	3 153
C. Cash flows from financing activities				
I. Revenues	2 718	0	14 993	8 669
1. Loans and borrowings	2 718	0	14 993	8 669
2. Net proceeds from share issue	0	0	0	0
3. Other financial income	0	0	0	0
II. Expenses	199 245	124 138	177 729	120 900
1. Treasury shares purchase	5	2	5	2
2. Dividends to holders	134 992	0	86 444	86 444
3. Repayment of loans and borrowings	45 601	121 141	69 633	30 952
4. Interest	18 595	2 995	21 379	3 450
4. Other financial expenses - financial lease	52	0	268	52
III. Net cash flows from financing activities	-196 527	-124 138	-162 736	-112 231
D. Total net cash flows	2 107	47 748	-94 954	43 526
E. Net change in cash, including:	2 107	47 748	-94 954	43 526
- change in cash from foreign exchange differences	145	-50	218	-233
F. Opening cash balance	67 038	21 397	161 992	23 512
G. Cash at the end of the period, including:	69 145	69 145	67 038	67 038
- restricted cash	297	297	494	494

Notes to the condensed consolidated financial statements for the fourth quarter of 2011

1. Characteristics of LPP S.A. Capital Group

The LPP S.A. Capital Group includes:

- LPP SA as a parent entity,
- 5 national subsidiary companies, and
- 16 foreign subsidiaries.

There is no parent company in relation to LPP S.A.

The list of companies composing the LPP S.A. Capital Group is presented below.

No.	Company name	Registered office	Takeover date
1.	G&M Sp. z o.o.	Gdansk, Poland	26.09.2001
2.	TORA Sp. z o.o.	Gdańsk, Poland	26.09.2001
3.	DP&SL Sp. z o.o.	Gdańsk, Poland	26.09.2001
4.	IL&DL Sp. z o.o.	Gdańsk, Poland	26.09.2001
5.	AMUR Sp. z o.o.	Gdansk, Poland	09.05.2003
6.	LPP Retail Estonia OU	Tallinn, Estonia	29.04.2002
7.	LPP Czech Republic s.r.o.	Prague, Czech Republic	16.09.2002
8.	LPP Hungary Kft	Budapest, Hungary	18.10.2002
9.	LPP Retail Latvia Ltd	Riga, Latvia	30.09.2002
10.	UAB LPP	Vilnius, Lithuania	27.01.2003
11.	LPP Ukraina	Peremyshliany, Ukraine	23.07.2003
12.	RE Trading Closed Joint Stock Company	Moscow, Russia	12.02.2004
13.	LPP Fashion Distributor SRL	Bucharest, Romania	12.08.2007
14.	FASHION POINT	Moscow, Russia	01.04.2008
15.	LPP Retail Bulgaria Ltd.	Sofia, Bulgaria	14.08.2008
16.	Artman Slovakia s.r.o.	Banska Bystrica, Slovakia	30.10.2008
17.	Artman Mode s.r.o.	Ostrava, Czech	30.10.2008
18.	LPP Style Bulgaria Ltd.	Sofia, Bulgaria	26.08.2011
19.	LPP Fashion Bulgaria Ltd.	Sofia, Bulgaria	26.08.2011
20.	Gothals Limited	Nicosia, Cyprus	22.07.2011
21.	Jaradi Limited	Al Attar, United Arab Emirates	22.07.2011

The dominance of LPP S.A. in the subsidiaries, due to its considerable in majority of the 100% stake in subsidiaries' capital and in the total number of votes, is immediate.

The consolidated financial statements of LPP S.A. Capital Group for the period from 1 January to 31 December 2011 includes individual results of LPP S.A. and the results of the following subsidiaries:

- LPP Retail Estonia OU
- LPP Czech Republic s.r.o.
- LPP Hungary Kft
- LPP Retail Latvia Ltd
- UAB LPP
- LPP Ukraina AT
- ZAO Re Trading
- LPP Fashion Distributor srl.
- ES STYLE
- FASHION POINT
- LPP Retail Bulgaria Ltd.
- Artman Slovakia srl
- Artman Mode s.r.o.
- LPP Style Bulgaria Ltd.
- LPP Fashion Bulgaria Ltd.
- Gothals Limited
- Jaradi Limited

Other national subsidiaries of LPP S.A. were not consolidated due to the immateriality of data. This is consistent with the Accounting Policy adopted by the Group. According to it, a subsidiary or affiliated entity is not consolidated, if the amounts reported in its financial statements are negligible in relation to the financial statements of the parent company. In particular, the balance sheet total and net revenues from sales of goods and services and financial operations of the entity which for the financial period are less than 10% of total assets and liabilities and the income of the parent company are regarded as insignificant. The total amount of revenues and balance sheet totals of the entities not included in the consolidation may not exceed that level, but in relation to the corresponding amounts of the consolidated financial statements established on the assumption that their scope includes all subsidiaries, without making any exclusions.

Participation in the consolidated amounts of all national subsidiaries not included in the consolidation is as follows:

- in the balance sheet total of the Capital Group -0.08%
 - in revenues from sales and financial revenues of the Capital Group - 0.37%
- Failure to consolidate the financial statements of these companies has not affected the fair presentation of the asset position, financial situation and financial result of the CG.

LPP S.A. is a company that designs and distributes clothing in Poland and the countries of Central and Eastern Europe. Companies composing the CG and subject to consolidation are entities involved in the distribution of goods under the brand of Reserved, Cropp and House outside Poland. Clothing is essentially the only commodity sold by the companies from the CG. Footwear, bags and clothing accessories are sold as products supplementing the basic offer of the CG companies.

Clothing designs are prepared in the design office located in the registered office of LPP S.A. in Gdańsk (and respectively for the brands of House and Mohito in the design office in Cracow) and then transferred to the purchasing department which orders the production of certain models, cooperating in this respect with companies in Poland and abroad,

including in China. Placement of the production in China is being conducted via the Company's sales office in Shanghai.

The CG also has small income from the sale of services (they are presented in the entirety as the income of the parent company - these are mainly services related to know-how within the scope of the management of showrooms by domestic partners as well as hiring means of transport).

An additional business activity in the LPP Capital Group is managing the rights to trademarks of Reserved and Cropp, including their protection, activities performed to increase their value, granting licenses to use them etc. The companies Gothals Limited in Cyprus and Jaradi Limited in United Arab Emirates are intended for this purpose. 5 Polish subsidiaries are involved in the lease of real property where Cropp Town and Reserved outlets are located.

2. The basis for the preparation of the condensed consolidated financial statements and information on the changes in the applied accounting policies

Report of the LPP S.A. Capital Group for the fourth quarter of 2011 contains the condensed consolidated financial statements and selected explanatory data included in this Note as well as condensed financial statements of the parent company, in accordance with IAS 34 "Interim Financial Reporting."

Accounting policy applied to prepare these statements is in all material respects compliant with the policy adopted for the preparation of the consolidated annual financial statements of the LPP SA Capital Group for the financial year 2010, in accordance with the International Financial Reporting Standards.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2010.

3. Accomplishments of the LPP S.A. Capital Group for the period

covered by the report

Major accomplishments of the LPP SA Capital Group in the fourth quarter of 2011:

1. In the fourth quarter of 2011, sales revenues amounted to PLN 789 million. They increased by about 25% compared to those achieved in the fourth quarter of 2010 (PLN 630 million).
2. In the fourth quarter, the LPP SA Capital Group had the operating profit of PLN 166 million. Last year in this period, GK LPP gained the profit of PLN 116 million. Net profit in the fourth quarter of 2011 was PLN 129 million (compared with the net loss of PLN 89 million in the fourth quarter of 2010).
3. In the fourth quarter of 2011, in the outlets of Reserved there was achieved the sales of PLN 420 million, while in Cropp Town centres - in the amount of PLN 148,4 million. Sales in the fourth quarter in House outlets amounted to PLN 133.6 million and in Mohito stores to PLN 39.3 million.

4. The area of retail chains increased in the reporting period by 17.4 thousand square meters. At the end of the fourth quarter, the LPP CG had 893 outlets of a total area of 343,5 thousand square meters.
5. Sales revenues in comparable outlets increased in the fourth quarter of 2011 by 21.9% (excluding the changes in local currency exchange rates in the countries where the companies of the LPP CG operate).

4. Factors and events, particularly of unusual nature, having a significant impact on the achieved consolidated financial results

Operating profit earned in the fourth quarter of 2011 amounted to PLN 166 million and was over 44% higher than in the fourth quarter of the previous year. Such significant improvement of the result was achieved due to the following factors:

- 1) sales increase by 25%,
- 2) the increase of gross percentage margin on sales by over 1 percentage point, which allowed to increase the gross profit on sales by 28%,
- 3) favourable exchange rate relationships of PLN against USD and EUR
- 4) strict cost discipline (costs were growing slower than sales)

Revenues from sales of products, goods and materials revealed in the consolidated financial statements have been earned by individual companies of CG in the following amounts (after the exemption of intra-group sales):

data in PLN thousand

Company name	country	Sales revenues in the fourth quarter of 2011	% share in sales by country Q4 2011	Sales revenues in the period 01.01.2011 - 31.12.2011	% share in sales by country in the period 01.01.2011-31.12.2011
LPP S.A.	Poland	585 219	74%	1 835 071	74%
LPP Retail Estonia OU	Estonia	13 204	2%	40 578	2%
LPP Retail Latvia Ltd	Latvia	11 087	1%	31 453	1%
LPP Retail Czech Republic	Czech	35 017	4%	103 325	4%
LPP Hungary Kft.	Hungary	7 252	1%	20 814	1%
UAB"LPP"	Lithuania	15 005	2%	48 057	2%
LPP Ukraina AT	Ukraine	17 102	2%	54 481	2%
ZAO "Re Trading"	Russia**	85 149	11%	304 696	12%
LPP Fashion Distributor SRL	Romania	9 197	1%	25 050	1%
LPP Retail Bulgaria Ltd.	Bulgaria***	5 385	1%	14 748	1%
Artman Slovakia	Slovakia	5 659	1%	14 238	1%
Total		789 276	100%	2 492 510	100%

* total revenues of 2 companies in the Czech Republic: LPP Retail Czech Republic s.r.o., Artman Mode SRO ** total revenues of 3 companies in Russia: ZAO "Re Trading, Es Style Russia, Fashion Point Russia, *** total revenues of 2 companies in Bulgaria: LPP Retail Bulgaria Ltd. LPP Style Bulgaria Ltd.,.

5. Explanations on the seasonality or cyclicity of the LPP SA Capital Group operation in the report period

Seasonality in sales is a phenomenon affecting the entire clothing market both in Poland and abroad. The fourth quarter of calendar year is considered best for companies in this industry. So, as in previous years, this year the companies of LPP SA Capital Group gained the biggest profits during the quarter covered by this report.

6. The division into segments of operation - revenues and results for individual segments

The LPP S.A. Capital Groups conducts one type of business activity (one trade segment regarded as the basic one). A division into two geographical segments was applied: activity with the European Union and outside. The division into geographical segments was based on the criterion of the Group's asset location.

Revenues and results for particular segments of the fourth quarter of 2011 and the comparable period are presented in section 23.7.

7. Information on the issue, redemption and repayment of debt and equity securities

During the fourth quarter, the Issuer did not perform any issue, redemption or repayment of debt and equity securities.

8. Information on the paid (or declared) dividend, total and per share, with the division into ordinary shares and other shares.

During fourth quarter there was no such a situation.

9. Date of the financial statements approval for publication

These financial statements were approved for publication by the Management Board of the Parent Company on 23 February 2012.

10. Events which occurred after the balance sheet date, not included in the financial statements, and which may significantly affect future financial results of the LPP SA Capital Group

There were no such events.

11. The effects of changes in the structure of the LPP S.A. Capital Group, including a business combination, acquisition or sale of the capital group entities, long-term investments, division, restructuring and discontinued operations

During the fourth quarter, there were no changes in the structure of the LPP S.A. Capital Group, including a business combination, acquisition or sale of the capital group entities, long-term investments, division, restructuring and discontinued operations.

12. Changes in contingent liabilities or contingent assets that have occurred since the end of last year.

In the fourth quarter of 2011, LPP S.A. and its subsidiaries have benefited from bank guarantees to secure the payment of rent for the rental of space for company's retail stores. As at 31 December 2011 the total value of bank guarantees issued to the order of and on the responsibility of LPP S.A. amounted to PLN 120 279 thousand, including:

- a) the value of guarantees issued to secure the agreements concluded by LPP S.A. amounted to PLN 69 077 thousand
- b) the value of guarantees issued to secure the agreements concluded by affiliated entities included in the consolidation amounted to PLN 47 975 thousand
- c) the value of guarantees issued to secure the agreements concluded by affiliated entities not included in the consolidation amounted to PLN 3 091 thousand
- d) the value of guarantees issued to secure the agreements for office space lease concluded by LPP SA amounted to PLN 136 thousand

On 31 December 2011 the value of sureties granted by the parent company amounted to PLN 6 476 thousand and decreased in comparison with 31 December 2010 by PLN 7 293 thousand.

13. Estimates concerning future liabilities under the concluded rental agreements.

Companies composing the Group are parties to the lease agreements under which they use the areas for running the showrooms network of Reserved, Cropp, House and Mohito.

Total future minimum payments under lease agreements, estimated as at 30 December 2011 are as follows:

- amounts due within 12 months from the balance sheet date PLN 347 352 thousand
- amounts due within the period of 12 months to 5 years from the balance sheet PLN 964 617 thousand
- amounts due within the period of over 5 years from the balance sheet date PLN 299 205 thousand

14. The position of the Management Board on the implementation of the annual consolidated results forecast.

The company has not published any forecasts of annual results.

15. Shareholders owing directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting of the LPP SA at the date of submitting the quarterly report and the indication of changes in the ownership structure of the qualified holding of LPP SA in the period from the submission of the previous quarterly report.

The ownership structure of the parent company's share capital as at the submission date of the fourth quarter of 2011:

Shareholder	Number of held shares (pieces)	Number of votes at the Annual General Meeting of Shareholders	Share in the number of votes at the Annual General Meeting of Shareholders	Participation in share capital
Marek Piechocki	175 000	875 000	27.52%	9.83%
Jerzy Lubianiec	175 000	875 000	27.52%	9.83%
Monistor Limited (Cyprus)	200 728	200 728	6.31%	11.28%
Grangeford Limited, based in Cyprus	350 000	350 000	11.01%	19.67%

In the period from the previous report submission (report for the third quarter of 2011) the following changes in the structure of large blocks of shares ownership occurred:

1) Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK (Aviva OFE) as a result of sale of the issuer shares decreased share in the total number of votes in the Company below 5% (RB 49/2011).

2) As a result of conversion of convertible bonds into shares and increase of the share capital the percentage share in the number of votes at the Annual General Meeting of Shareholders and in the capital of the shareholders has changed (RB 4/2012).

16. Summary of the held number of shares of LPP S.A., or rights to them by the persons managing and supervising the issuer, as at the date of this quarterly report submission, along with the indication of changes in ownership during the period from the previous quarterly report submission, separately for each person.

Shareholder	Number of held shares (pieces)	Number of votes at the Annual General Meeting of Shareholders
President of the Management	175 000	875 000
Vice President of the Management Board	2 664	2 664
Vice President of the Management Board	17	17
Chairman of the Supervisory Board	175 000	875 000
Member of the Supervisory Board	400	400

In the period from the previous report submission (report for the third half of 2011) there was a change in the ownership of shares of LPP S.A. by the person managing and supervising the issuer:

One member of the Management Board disposed 137 ordinary shares of LPP S.A. (RB 2/2012) and the company Garema Limited with its registered office in Nicosia, Cyprus, a subsidiary of one of the Supervisory Board Members acquired a total of 48 ordinary shares of LPP S.A. (RB 48/2011).

17. Information on court proceedings

Within the Group, the claimant in the cases of payment of trade receivables is LPP SA. The total amount in dispute shall not exceed 10% of the equity of the companies.

18. Information on the conclusion by the issuer or its subsidiary of one or more transactions with affiliated entities, if individually or collectively they are significant and have been concluded under other than market terms and conditions

In the reporting period there were no such transactions with affiliated entities.

19. Transactions with affiliated entities

9.1. Key personnel

Members of the Management Board and Supervisory Board of LPP S.A. are regarded as key management personnel of the LPP S.A. Capital Group.

The value of short-term employee benefits of the key management personnel received and accrued for payment during the period from 1 January to 31 December 2011 amounted to PLN 4 492 thousand, of which PLN 4 384 thousand related to the Management Board and PLN 108 thousand to the remuneration of the Supervisory Board members.

19.2. Transactions with affiliated entities

During the reporting period, the issuer has not concluded any transactions concerning the transfer of rights and obligations with affiliated entities.

Transactions between the parent company and its foreign affiliated companies were subject to elimination in the consolidated financial statements and have not been revealed in the table.

The figures stated below show only the mutual transactions between LPP SA and 5 Polish subsidiaries not included in the consolidation and are presented from the viewpoint of the parent company.

Data in the table are presented in PLN

no.	affiliated companies	receivables as at 31.12.11	liabilities as at 31.12.11	revenues for the period I-XII 2011	expense for the period I-XII 2011
1	Domestic companies	2	367	22	9 379
	Total	2	367	22	9 379

Data shown as liabilities of LPP S.A. are receivables in the affiliated companies, while expenses are the revenues in these companies.

All the transactions with affiliated companies were concluded under market conditions. Revenues from the domestic companies are derived from the rental of office space for the purpose of business operation of these companies.

Expenses related to the domestic subsidiaries concern the rental of property where Cropp Town and Reserved outlets are run.

Payment terms adopted for subsidiaries are between 45 and 120 days.

20. Information on granted guarantees and sureties

In the reporting period, the Capital Group companies of the issuer have not granted credit or loan guarantees, and have not granted guarantees to one entity or its subsidiary, whose total value would be the equivalent of at least 10% of the equity of the issuer.

21. Additional information relevant for the evaluation of staff, property and financial situation, financial result of the LPP S.A. Capital Group and their changes as well as information relevant for the evaluation of the feasibility of commitments implementation by the Capital Group of the issuer.

The report contains basic information essential for the evaluation of the situation of the issuer's capital group. In the opinion of the Management Board, currently there are no threats to the implementation of the commitments of CG.

22. Identification of factors which, according to LPP S.A., will affect the results achieved by its capital group within at least the next quarter

The basic factors which will affect the results achieved in the nearest future include:

1. economic situation in Poland and in countries where the outlets of the LPP SA Capital Group operate
2. the level of the exchange rate of the Polish Zloty in relation to USD and EUR,
3. assessment of the spring-summer collection by customers,
4. development of sales network of Reserved and Cropp Town, House and Mohito brands,
5. maintenance of the operating costs at a low level,

23. Notes to the Condensed Consolidated Financial Statements

23.1 Tangible fixed assets

The value of tangible fixed assets presented in the consolidated financial statements as at 31 December 2011 includes an adjustment due to the write-down in the amount of PLN 6 608 thousand.

The amount of advances on account of the purchase of tangible fixed assets as at 31 December 2011 amounted to PLN 4 814 thousand.

23.2 Inventory

The value of inventory presented in the consolidated financial statements as at 31 December 2011 includes an adjustment due to the write-down in the amount of PLN 5 109 thousand.

23.3 Receivables

The value of receivables presented in the consolidated financial statements as at 31 December 2011 includes an adjustment due to the write-down in the amount of PLN 6 542 thousand.

The value of the write-down is composed of:

the write-down of the claims and contested debts from contractors	PLN 5 518 thousand
the write-down of the so-called doubtful receivables	PLN 730 thousand
the write-down of receivables from employees and others	PLN 294 thousand

23.4 Provisions

The amount of the provisions presented in the consolidated financial statements as at 31 December 2011 amounting to PLN 17 491 thousand, consists of the following items:

- provision for gratuities PLN 1 135 thousand
- provision for holiday compensation PLN 3 803 thousand
- provision for the unpaid wages, salaries and bonuses PLN 10 871 thousand
- provision for the deferred income tax in the amount of: PLN 1 682 thousand

23.5 Income tax

The amount of the income tax presented in the consolidated income statement for the period from 01.01.2011 to 31.12.2011 amounts to PLN 61 679 thousand and includes:

- the current part PLN 64 249 thousand
- the deferred part PLN (2 570) thousand

23.6 Exchange differences

In the consolidated income statement as at 31.12.2011 the advantage of positive foreign exchange rates over the negative ones was revealed in the amount of PLN 9 669 thousand (in the fourth quarter - PLN 4 257 thousand as an advantage of positive foreign exchange rates over the negative ones)

23.7 Segments of operation

Revenues and financial results for geographical segments for the period from 1 January 2011 to 31 December 2011 and for the comparative period have been presented in the tables below.

LPP S.A. Group
Interim condensed financial statements for the fourth quarter of 2011
The statements have been prepared in PLN thousand

Year 2011	in PLN				
	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
Sales to external customers	2 133 333	359 177			2 492 510
Sales between segments	185 842		-185 842		-
Other operating revenues	12 686	998		7 289	20 973
<i>Total revenues</i>	<i>2 331 861</i>	<i>360 175</i>	<i>-185 842</i>	<i>7 289</i>	<i>2 513 483</i>
Total operating expenses, including	1 868 465	308 984	-175 738	138 386	2 140 097
Costs of sales between segments	144 172		-144 172		-
Other operating expenses	28 884	2 480			31 364
<i>Segment results</i>	<i>434 512</i>	<i>48 711</i>	<i>-10 104</i>	<i>-131 097</i>	<i>342 022</i>
Financial revenues					13 527
Financial expenses					25 624
<i>Profit before tax</i>					<i>329 925</i>
Income tax					61 679
<i>Net profit from continuing</i>					<i>268 246</i>
Profit from the current					267 825
<i>Profit from minority entities</i>					<i>421</i>

year 2010	in PLN				
	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
Sales to external customers	1 718 654	278 505			1 997 159
Sales between segments	134 446		-134 446		-
Other operating revenues	12 005	1 251		10 493	23 749
<i>Total revenues</i>	<i>1 718 654</i>	<i>279 756</i>	<i>-134 446</i>	<i>10 493</i>	<i>2 020 908</i>
Total operating expenses, including	1 590 995	243 947	-132 732	91 114	1 793 324
Costs of sales between segments	99 513		-99 513		-
Other operating expenses	22 856	4 805			27 661
<i>Segment results</i>	<i>251 254</i>	<i>31 004</i>	<i>-1 714</i>	<i>-80 621</i>	<i>199 923</i>
Financial revenues					10 528
Financial expenses					28 731
<i>Profit before tax</i>					<i>181 720</i>
Income tax					43 260
<i>Net profit from continuing</i>					<i>138 460</i>
Loss from discontinued					623
<i>Net profit</i>					<i>139 083</i>

24. Notes to the individual financial statements of LPP S.A.

As a result of the estimation of the balance sheet value of the assets engaged in the foreign subsidiaries in the period from January to December 2011, a change in the write-downs of the assets item of the individual balance sheet: shares, capital supplement payments, loans and receivables, also included in the financial and operating expenses and revenues of the individual income statement, was introduced in the total amount, which reduces the assets item, including the deferred tax, of PLN 7 328 thousand.

This change, reflected in relevant items of the individual financial statements of LPP S.A., has no influence on the amounts presented in the consolidated financial statements.